Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 4 Agenda

Joseph Dunn, Chair
Dick Ackerman
Denise Moreno Ducheny

Wednesday, April 21, 2004
Upon adjournment of the
Committee on Banking, Commerce, and International Trade

Room 3191

Proposed Consent Calendar

0954	Scholarshare Investment Board
0965	Ca. Industrial Development Financing Advisory Committee
0971	Ca. Alternative Energy & Advanced Transportation. Financing Authority
0985	California. School Finance Authority
1900	Public Employee Relations System (PERS)
1920	State Teachers' Retirement System (STRS)
2120	Alcoholic Beverage Control Appeals Board
2310	Office of Real Estate Appraisers

Control Sections

3.50	Benefit Charges Against Salaries and Wages
4.20	Contribution to Public Employees' Contingency Reserve Fund
25.50	SCO Apportionment Payment System Assessments

Proposed Consent Calendar

Staff Recommendation: No issues have been raised with these budgets. Staff recommends the subcommittee approve all items on the consent calendar.

<u>Vote:</u>

0840 State Controller

The State Controller's Office (SCO) is responsible for (1) the receipt and disbursement of public funds; (2) reporting on the financial condition of the state and local governments; (3) administering certain tax laws and collecting amounts due the state; and (4) enforcing unclaimed property laws. The Controller is also a member of the Board of Equalization, the Franchise Tax Board, the Commission on State Mandates, the State Lands Commission, the Pooled Money Investment Board, and assorted bond finance committees.

	2002-03	2003-04	CHANGE FROM 2002-03		2004-05	CHANGE FROM 2003-04	
Total Budget	$101,833	$110,599	$8,766	8.6%	$104,876	$5,723	-5.5%
Personnel Years*	1053.9	1110.8	56.9	5.4%	1079.1	31.7	-2.9%

(Dollars in 000s)
*Positions adjusted for salary savings and other adjustments

<u>Issues Proposed for Consent</u>

ISSUE #1: The following BCPs and Finance Letters have been provided by the SCO.

Budget Change Proposals and Finance Letters		
TITLE	**Positions**	**Cost ($s in 000s)**
California Automated Travel Expense Payment System. Funding to continue the rollout and maintenance for the CalATERS travel system, a system that is supposed to reduce fraud and ensure accuracy of the state's travel payments.	0 (2 redirected for one year)	$985 Reimbursements (one year)

Apportionment Payment System Replacement. Replacement of the existing stand-alone Apportionment Payment System. Funding cannot be postponed without serious degradation to apportionment payments to locals.	0	$579 Various special funds (one year)
California Child Support Automation System Project. For implementation of the SCO's responsibilities relative to the implementation of the CCSAS.	1	$90 Reimbursements (one year)
State Disability Insurance (SDI) Program – System Changes. Chapter 878, Stats. Of 2002 (AB 2149) expanded the state disability insurance program to represented civil service and Cal State employees. The SCO must withhold, remit, and report SDI deductions for this new group of employees.	2 (one year)	$614 GF (one year) $58 GF (2005-06)
Takeover of Technology, Trade, and Commerce Programs. The TT&C Agency was abolished effective December 31, 2003. The positions will facilitate collection and accounting for TT&C debt by closing out TT&C loan programs.	2 (one year)	$176 GF (one year)

Staff Recommendation. Approve the SCO'S BCPs and Finance Letters above.

VOTE:

ISSUES FOR DISCUSSION

ISSUE #2: Unclaimed Property Program: Proposed Fees. For over forty years banks and other institutions have been required to remit unclaimed property to the state. The most common types of unclaimed property are bank accounts, safe deposit box contents, stocks, and the proceeds of insurance policies. Property is deemed unclaimed when an account has remained dormant for three years and efforts by the institution holding the account to locate the owner have been unsuccessful. The unclaimed property is transmitted to the State Controller, who maintains records of all such property and attempts to identify the owners.

The state currently holds $3.4 billion in unclaimed property belonging to over five million individuals and organizations. On average, the state can be expected to receive approximately $460 million in unclaimed property funds and return about $190 million to approximately 170,000 individuals and organizations.

Recent statutory amendments have made three important changes to the Unclaimed Property Program. These are (1) an increase to the types of property that must be remitted to the state, (2) the immediate sale of all securities upon receipt by the SCO (previously the Controller had held on to them for up to two years), and (3) the elimination of interest payments for all claims.

Finance Letter Proposal. The Administration proposes additional funding for the Unclaimed Property Program due to the identification of workload that would prevent the SCO from meeting their statutory deadline of processing claims within 180 days. Three hundred and twenty nine thousand dollars in special funds and 5.9 permanent positions are sought to augment existing staff.

To fund the *direct* staffing and operating expenses to administer the program, a fee of six percent would be deducted from the payment of unclaimed property claims, effective January 1, 2005. This new fee revenue would provide offsetting savings to the General Fund of $4.8 million in 2004-05 and $9.9 million ongoing. (The 2004-05 benefit would be approximately half as much as future years because of an anticipated six-month delay in fee implementation.) The SCO's budget appropriation would be reduced to reflect the fee revenue.

The fees generated by this proposal would deposited in the newly created Unclaimed Property Fees Account. This account would be the repository of all unclaimed property revenues and would transfer those revenues to the General Fund, less the cost for Unclaimed Property Program costs. In order to ensure that sufficient reserve funds are available to cover program costs in the event of a revenue shortfall, the Finance Letter proposes an initial transfer of $1 million from the Abandoned Property Account to the Unclaimed Property Fees Account.

The following language was transmitted to Legislative Counsel on April 19. The language establishes the six percent fee after January 1, 2005. Additionally, it would create the Unclaimed Property Fees Account within the Unclaimed Property Fund and provide a program reserve of $1 million to be made available through a one-time transfer from the Abandoned Property Account.

SEC. 1. Section 1540 of the Code of Civil Procedures is amended to read:

1540. (a) Any person, excluding another state, who claims an interest in property paid or delivered to the Controller under this chapter may file a claim to the property or to the net proceeds from its sale. The claim shall be on a form prescribed by the Controller and shall be verified by the claimant.

(b) The Controller shall consider each claim within 180 days after it is filed and may hold a hearing and receive evidence. The Controller shall give written notice to the claimant if he or she denies the claim in whole or in part. The notice may be given by mailing it to the address, if any, stated in the claim as the address to which notices are to be sent. If no address is stated in the claim, the notice may be mailed to the address, if any, of the claimant as stated in the claim. No notice of denial need be given if the claim fails to state either an address to which notices are to be sent or an address of the claimant.

(c) No interest shall be payable on any claim paid under this chapter.

(d) Beginning January 1, 2005, there shall be a fee of six percent deducted from the payment of all claims paid on or after January 1, 2005, under this section, which shall be deposited in the Unclaimed Property Fund in an account titled "Unclaimed Property Fees Account," which is hereby created.

(~~d~~*e)* For the purposes of this section, "owner" means the person who had legal right to the property prior to its escheat, his or her heirs, or his or her legal representative.
(~~e~~*f)* Following a public hearing, the Controller shall adopt guidelines and forms that shall provide specific instructions to assist owners in filing claims pursuant to this article.

1540.5 (a) All money received pursuant to Section 1540(d) shall be deposited in the Unclaimed Property Fees Account within the Unclaimed Property Fund to cover the costs of administering the Unclaimed Property Program, including but not limited to processing claims for unclaimed property accounts, processing and selling securities received as unclaimed property, notifying owners of unclaimed property through notices and ads, and providing access to unclaimed property account information through telephone and website services, and shall be available for expenditure by the Controller only upon appropriation by the Legislature. All interest earned by the Unclaimed Property Fees Account shall be deposited in the Unclaimed Property Fees Account.
(b) The Controller shall transfer one million dollars ($1,000,000) from the Abandoned Property Account to the Unclaimed Property Fees Account by December 31, 2004.
(c) The unappropriated balance in excess of one million dollars ($1,000,000) in the Unclaimed Property Fees Account at the end of a fiscal year may be transferred to the General Fund upon order of the Director of Finance.

SEC. 2. *This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect.*

LAO Recommendation. The LAO also recommends assessing a fee on the claimed property. However, unlike the Administration's proposal, the LAO proposes that the fee cover not just direct costs, but also the program's audits and information technology needs that are a necessary part of the Unclaimed Property Program. The LAO estimates that the fee would be set to collect about $6.7 million in revenues in 2004-05 and $13.4 million in future years (with equivalent General Fund benefits). The average fee per transaction necessary to generate funding for the program is 7.5 percent.

The LAO proposal also adds the dimension that different services should be assessed at different rates. That is, based on the level of service provided by the SCO, the processing fee for a cash claim should be set at a lower rate than the fee for a securities claim. The average cost on a property claim would still be 7.5 percent.

SCO Alternative. The State Controller's Office has provided an alternative proposal which would fund both existing and the proposed new 5.9 positions out of the newly created Unclaimed Property Fund. In effect, no fee would be assessed from the property claimant but there would be a reduction in the funds that would otherwise be transferred to the General Fund.

To implement the SCO proposal, it is necessary to remove the budget bill language that restricts the SCO to recover costs from the Abandoned Property Account that is within the continuously appropriated Unclaimed Property Fund. The language proposed for deletion:

1. The appropriation made in this item shall be in lieu of the appropriation in Section 1564 of the Code of Civil Procedure for all costs, expenses, or obligations connected with the administration of the Unclaimed Property Law, with the exception of payment of owners' or holders' claims pursuant to Section 1540, 1542, 1560, or 1561 of the Code of Civil Procedure, or of payment of the costs of compensating contractors for locating and recovering unclaimed property due the state.

In deleting the provisional language, the SCO would establish a continuous appropriation through the new unclaimed property account.

Staff Comments. In evaluating the three proposals, the subcommittee may wish to consider whether it is appropriate to charge a fee to property claimants and whether a service provided by the state should be borne by all taxpayers, rather than those directly receiving the benefit. Under the SCO proposal, unclaimed property funds spent on program expenses are those that would otherwise become revenues to the state's General Fund. Under the LAO and Administration proposals, all (LAO) or most (Administration) of the costs are borne by the recipients of the state's service.

Between the LAO and Administration proposals, the 7.5 percent average rate identified by the LAO more fully captures the true expense of the Unclaimed Property Program. Consequently, the LAO proposal provides **additional General Fund savings of $1.6 million in the current year and $3.4 million ongoing** because it reduces the SCO's current General Fund appropriation by those amounts.

Finally, the SCO alternative raises concerns about providing a continuous appropriation to a program budget. Such an appropriation removes the program from budget oversight and is not generally supported by either the Administration or the Legislature.

Staff Recommendation.
1. **Approve the Administration's Issue #107** for the funding and staffing related to the expanded Unclaimed Property Program workload.

2. **Adopt the LAO alternative** and direct the LAO to provide revised trailer bill language to implement the 7.5 percent average fee. Additionally, the trailer bill language should provide rate structuring to assess claimants based the type of property claimed.

3. **Reduce the SCO's General Fund appropriation by $6.7 million** in the budget year to account for the funding provided by the Unclaimed Property Fees Account.

<u>VOTE:</u>

ISSUE #3: Medi-Cal Non-Institutional Providers Audits Program
Medi-Cal provides health care services to approximately 6.5 million public assistance recipients and other needy individuals in California. In 2003-04, California is expected

to incur an estimated $25 billion in Medi-Cal program expenditures through 84,000 providers. Costs are shared between the state and federal government. In order to ensure that the state's funds are properly used, a Medi-Cal audit program exists and is administered by the Department of Health Services (DHS).

The SCO, under an interagency agreement with DHS, performs audit services of non-institutional providers for potential overpayments. Non-institutional providers include physicians, medical laboratories, durable medical equipment suppliers, pharmacies, and medical transportation companies. The SCO estimates that they provide annual savings for the state of $31 million General Fund by performing these services.

DHS, as the federally designated "single state agency" responsible for Medi-Cal Program, oversees these audits. This responsibility currently includes directing the SCO on which audits to conduct, reviewing findings and working papers, issuing the final audit report and recovery demand, and handling administrative appeals.

Governor's Budget Proposal: Transfer the authority for audits and 20 positions to DHS. The Administration proposes to generate approximately $600,000 in ongoing savings ($300,000 General Fund) and a reduction of six positions by consolidating this activity into DHS.

The Administration contends that utilizing the SCO via an Interagency Agreement is no longer efficient. DHS has a multidisciplinary staff of medical professionals and financial auditors, as well as the authority to identify abusive providers, impose administrative sanctions, and issue audits. Consolidating these activities into DHS will result in a more efficient process.

On April 12, 2004, with a recommendation of support from the LAO and the Senate Budget Subcommittee #3 staff, that subcommittee took an action to support the transfer of the positions and program to DHS.

Staff Comments: No loss of experience. No loss of experience is expected from the transfer of the auditing personnel, pursuant to Government Code Section 19050.9. That Section states, "Whenever a function or the administration of a law is transferred from one state agency to another state agency, all persons serving in the state civil service and engaged in the performance of the function or the administration of the law shall be transferred to that agency."

Efficiency and Savings. DHS is be expected to assume all responsibilities from SCO and provide them with greater efficiency. For example, the SCO has only one medical professional on staff and they currently must call on DHS staff to assist with medical consultations and guidance. According to DHS, by consolidating the 20 positions and streamlining processes they can accomplish approximately twice as many audits as the SCO and thereby generate significant new savings for the state.

Enhanced Medi-Cal Pre-Checkwrite Review Process. The SCO contends that DHS does not have an effective pre-checkwrite review process (reviewing payments for fraud). While DHS does not concur with that statement, it should also be noted that DHS is taking steps to strengthen their review of the payments. On April 12, 2004, the Senate Subcommittee #3 supported a proposal to extend by one week the check writes for all Medi-Cal Program providers whose claims are processed through the fiscal intermediary. This break is intended allow the DHS Audits and Investigations Division to perform more thorough pre-checkwrite reviews of claims that are processed and identified as suspect. Finally, nothing in this transfer proposal would inhibit the SCO from performing secondary pre-checkwrite review if the Controller believes it would be fiscally responsible to do so.

Staff Recommendation. Take no action. This transfer proposal was supported by Senate Subcommittee #3 on April 12, 2004.

VOTE:

ISSUE #4: Performance Audits

Beginning in the 1998-99 budget year, the State Controller has been prohibited from using appropriated General Fund monies to conduct performance audits. This restriction was placed on the SCO due to concerns by the Legislature that the authority was not being appropriately utilized.

Item 0840-001-0001 delineates the restrictions on performance auditing without a specific appropriation.

> The funds appropriated to the Controller in this act may not be expended for any performance review or performance audit except pursuant to specific statutory authority. It is the intent of the Legislature that audits conducted by the Controller, or under the direction of the Controller, shall be fiscal audits that focus on claims and disbursements, as provided for in Section 12410 of the Government Code. Any report, audit, analysis, or evaluation issued by the Controller for the 2003-04 fiscal year shall cite the specific statutory or constitutional provision authorizing the preparation and release of the report, audit, analysis, or evaluation.

The SCO has outlined a broad proposal to close the budget gap through activities such as using performance audits to cut waste and make more efficient use of tax dollars more efficiently. The following budget bill language for Item 0840-001-0001 would enable that office to conduct performance audits without a specific General Fund appropriation.

> *The funds appropriated to the Controller in this act may not be expended for any performance review or performance audit until after the Controller has provided the Joint Legislative Budget Committee with a 14-day notification of his/her intent to perform such audit as well as the scope of the audit to be performed. Within 30 days of completion of any such performance audit, the*

Controller shall provide to the Joint Legislative Budget Committee a copy of a report detailing the Controller's findings and recommendations.

Staff Comments. The SCO has provided information that two positions would be redirected to conduct performance audits. Both positions would come from the quality control review unit.

Given the increased interest among several agencies and departments in generating savings through audits, it is important to recognize that there is no statewide perspective on auditing for dollars. The Subcommittee may wish to consider this proposal against existing auditing authorities, (e.g. those existing in departments, the Bureau of State Audits, and the Office of State Audits and Evaluations) and those coming on line or otherwise available through contract (the California Performance Review and private auditing agencies).

Staff Recommendation. Take no action at this time pending additional information. The subcommittee may wish to invite the SCO to work with the Legislature to identify existing auditing authorities where overlap would occur. Based on past experience, the Legislature may wish to receive a list of agencies to be audited and the nature of the audit. The SCO should provide an auditing protocol to distinguish how its auditing product will provide value that is different from existing agencies and authorities.

VOTE:

0950 State Treasurer

The State Treasurer provides banking services for state government with goals to minimize interest and service costs and to maximize yield on investments. The Treasurer is responsible for (1) the custody of all monies and securities belonging to or held in trust by the state, (2) investment of temporarily idle state monies, (3) administration of the sale of state bonds and their redemption and interest payments, and (4) payment of warrants drawn by the State Controller and other state agencies.

	2002-03	2003-04	Change from 2002-03		2004-05	Change from 2003-04	
Total Budget	$21,805	$21,608	$197	1.0%	$21608	$0	0.0%
Personnel Years*	225.2	222.8	2.4	-1.1%	222.8	0	0.0%

(Dollars in 000s)
*Positions Adjusted for salary savings and other adjustments

ISSUE #1: Mandate Suspension—County Treasury Oversight Committees
This mandate provides reimbursements to locals for the costs of providing certain information to the State Treasurer, including the preparation and submittal of annual investment policies. This mandate was established in the wake of the Orange County

financial collapse in the early 1990s and is intended to assist local agencies in preventing a recurrence of that event. This mandate was suspended in 2003-04.

LAO Recommendation: Suspend the County Treasury Oversight Committees mandate (Chapter 784, Statutes of 1995 and Chapter 156, Statutes of 1996).

Staff Recommendation: **Suspend** the County Treasury Oversight Committees mandate.

VOTE:

ISSUE #2: Mandate Suspension—Investment Reports—Cities and Counties
This mandate provides reimbursement to local agencies who prepare and provide information related to their annual investment policies and quarterly investment reports. Similar to the County Treasury Oversight Committees, this mandate was established in the wake of the Orange County Financial collapse. This mandate was suspended in 2003-04.

LAO Recommendation: Suspend the Investment Reports—Cities and Counties mandate (Chapter 783, Statutes of 1995).

Staff Recommendation: **Suspend** the Investment Reports—Cities and Counties mandate.

VOTE:

0956 CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

The California Debt and Investment Advisory Commission (CDIAC) was created in 1981 to assist state departments and local governments in effectively issuing, monitoring, and managing public debt. CDIAC's responsibilities include an investment component in its municipal education program and the development of information and related public funds investment.

California Debt and Investment Advisory Commission Fund (Fund 0171)

Staff Comment. This California Debt and Investment Advisory Commission Fund has provided important General Fund relief in recent years due to the availability of funds for loan from this fund. In consultations with the State Treasurer's Office it was determined that $750,000 could prudently loaned from this account for two years (repayment by October 1, 2006) under specified conditions for repayment. These conditions are (1) to provide additional security against unforeseen fund needs, the budget bill for the loan should specify that it be repaid with interest and (2) the repayment must be made so that programs supported by the fund are not adversely affected by the loan through a reduction in services or increased fees.

Staff Recommendation. Hold open the item and the issue of loaning $750,000 from the California Debt and Investment Advisory Commission Fund to the General Fund until after the May Revise is released. At that time the need for additional General Fund relief will be better known. Repayment would be made under the time frame and conditions specified above. Notwithstanding interest costs for the loan's repayment, this loan will provide significant General Fund relief over the next two years.

VOTE:

0959 California Debt Limit Allocation Committee

The California Debt Limit Allocation Committee was created through a proclamation signed by the Governor on July 19, 1984, in response to the Federal Tax Reform Act of 1984. The Committee oversees the State's allocation system for the issuance of "private activity" bonds under the provisions of Chapter 943, Statutes of 1987. The Committee is comprised of the State Treasurer, the Governor or his designee, the Director of Finance and the Controller. The committee is funded on a fee-supported basis.

California Debt Limit Allocation Committee Fund (Fund 0169)

Staff Comment. This California Debt Limit Allocation Committee Fund has provided important General Fund relief in recent years due to the availability of funds for loan from this fund. In consultation with the State Treasurer's Office it was determined that $3.5 million could prudently be loaned from this account for two years (repayment by October 1, 2006) under specified conditions for repayment. These conditions are (1) to provide additional security against unforeseen fund needs, the budget bill for the loan should specify that it be repaid with interest and (2) the repayment must be made so that programs supported by the fund are not adversely affected by the loan through a reduction in services or increased fees.

Staff Recommendation. Hold open the item and the issue of loaning $3.5 million from the California Debt Limit Allocation Committee Fund to the General Fund until after the May Revise is released. At that time the need for additional General Fund relief will be better known. Repayment would be made under the time frame and conditions specified above. Notwithstanding interest costs for the loan's repayment, this loan will provide significant General Fund relief over the next two years.

VOTE:

0968 California Tax Credit Allocation Committee

The California Tax Credit Allocation Committee (CTCAC) was established to provide federal low-income housing tax credits to foster development of affordable rental housing. For 2003, the program provides tax credits of $1.75 per capita. The CTCAC's activities are funded from fees paid by applicants for tax credits and tax deductions.

Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account (Fund 0448)

Staff Comment. This Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account has provided important General Fund relief in recent years due to the availability of funds for loan from this fund. In consultation with the State Treasurer's Office it was determined that $35 million could prudently be loaned from this account for two years (repayment by October 1, 2006) under specified conditions for repayment. These conditions are (1) to provide additional security against unforeseen fund needs, the budget bill for the loan should specify that it be repaid with interest and (2) the repayment must be made so that programs supported by the fund are not adversely affected by the loan through a reduction in services or increased fees.

Staff Recommendation. Hold open the item and the issue of loaning $35 million from the Occupancy Compliance Monitoring Account, Tax Credit allocation Fee Account to the General Fund until after the May Revise is released. At that time the need for additional General Fund relief will be better known. Repayment would be made under the time frame and conditions specified above. Notwithstanding interest costs for the loan's repayment, this loan will provide significant General Fund relief over the next two years.

VOTE:

Tax Credit Allocation Fee Account (Fund 0457)

Staff Comment. This Tax Credit Allocation Fee Account has provided important General Fund relief in recent years due to the availability of funds for loan from this fund. In consultation with the State Treasurer's Office it was determined that $31 million could prudently be loaned from this account for two years (repayment by October 1, 2006) under specified conditions for repayment. These conditions are (1) to provide additional security against unforeseen fund needs, the budget bill for the loan should specify that it be repaid with interest and (2) the repayment must be made so that programs supported by the fund are not adversely affected by the loan through a reduction in services or increased fees.

Staff Recommendation. Hold the item and the issue of loaning $31 million from the Tax Credit Allocation Fee Account to the General Fund open until after the May Revise is released. At that time the need for additional General Fund relief will be better known. Repayment would be made under the time frame and conditions specified above. Notwithstanding interest costs for the loan's repayment, this loan will provide significant General Fund relief over the next two years.

VOTE:

0991 California Fiscal Recovery Financing Authority and Economic Recovery Bonds

This item was added to the Governor's Budget as a contingency in the event that the Economic Recovery Bond was not passed by the voters on March 2, 2004. Due to the enactment of Propositions 57 and 58, the Economic Recovery Bonds will take the place of the California Fiscal Recovery Bonds and this budget item is no longer necessary.

Staff Recommendation. Delete Item 0991

VOTE:

2100 Department of Alcoholic Beverage Control

The Department of Alcoholic Beverage Control (ABC) administers the provisions of the Alcoholic Beverage Control Act, which vests in the Department the exclusive right and power to license and regulate the manufacture, sale, purchase, possession and transportation of alcoholic beverages within the state and, subject to certain laws of the United States, to regulate the importation and exportation of alcoholic beverages into and from the state.

The ABC budget is $42.3 million in the current year and proposed at $42.8 million in the budget year – and increase of 500,000. No General Fund support.

Issues Proposed for Consent

1. **Licensing and Compliance System Phase II – Information Technology Project (BCP #3):** The Administration requests $1,095,000 to fund the first year of Phase II of the Licensing and Compliance System. This project would replace the existing 1993 information technology application – the California Alcoholic Beverage Information Network (CABIN). The Administration indicates the existing system

faces both hardware and support limitations and the new system would allow for new functionality to response to legislative mandates or stakeholder requests.

Staff Comment: According to the Administration, industry supported past fee increases, in part, with the expectation that fee revenue would be used to improve the department's information technology systems to support improved service to industry. Phase I of the system is expected to be completed by June 30, 2004.

2. **Augmentation of $58,000 to Support Increased Department of Justice (DOJ) Service Rates (FL #2):** The Administration requests $58,000 to cover the 18 percent increase in DOJ attorney billing rates and a 72 percent increase in paralegal billing rates. The request does not include additional hours of DOJ services.

   Staff Comment: The Department indicates this cost increase could not be absorbed without affecting service to industry.

Staff Recommendation: Approve these Administration proposals. No issues have been raised.

Vote:

Issues for Discussion

1. **Broaden the Authority of the ABC to Accept "Petitions for an Offer in Compromise" and Accept Fines in Lieu of Suspensions (Trailer Bill).** The Administration requests approval of a trailer bill that would broaden the ability of the ABC to accept "petitions for an offer in compromise" that would allow establishments to pay a fine in lieu of a suspension. The fine would be 50 percent of the estimated gross sales of alcoholic beverages for each day of a proposed suspension, with a cap of $20,000. The Governor's Budget scores an additional $1.3 million in General Fund revenue associated with this proposal because fine money goes to the General Fund. The ABC would still have the authority to suspend licenses when that punishment seems more appropriate.

   Staff Comment: The ABC indicates that with or without this proposal California has some of the toughest penalties for sales of alcohol to minors in the United States. The Administration indicates this proposal may also reduce appeals and increase excise tax and sales tax revenue, although that revenue is not scored.

   Staff Recommendation: Approve the Administration's proposal.

   Vote:

2. **Establish and Fund 10 New Positions to Perform Licensing Functions (FL #1):** The Administration requests $496,000 to fund 10 positions so applications can be processed and investigations performed in a timely manner. The Administration indicates a potential excise tax revenue gain of $1 million due to increased sales.

   Staff Comment: The Administration indicates that with these positions, the backlog in processing applications would be eliminated.

   Staff Recommendation: Approve the Administration's proposal.

   Vote:

2150 Department of Financial Institutions

The Department of Financial Institutions (DFI) was established effective July 1, 1997, to regulate depository institutions, including commercial banks, savings associations, credit unions, industrial loan companies, and certain other providers of financial services. In addition, the Department licenses and regulates issuers of payment instruments, including companies licensed to sell money orders and/or travelers' checks or licensed to engage in the business of transmitting money abroad, and business and industrial development corporations. Programs are supported by assessment of the various industries, license and application fees, and charges for various other services.

The DFI budget is proposed to increase from $21.5 million in the current year to $23.6 million in the budget year. No General Fund support.

Issues

1. **Operational Recovery and System Security (BCP #1):** The Administration requests $185,000 and 1.0 position to support improvement to its information technology operational recovery strategy (through implementation of a backup network to the San Francisco hub) and system monitoring and security capabilities. The Administration indicates this project could prevent a communications failure lasting up to 15 days if San Francisco were to experience a major outage. Additionally this request would increase security to protect private financial information that is transmitted across DFI computers.

   Staff Comment: The DFI indicates that this request is necessary to meet the State Administrative Manual requirements on security and risk management, and the Finance Technology Investment Review Unit concurs.

   Staff Recommendation: Approve the Administration's proposal.

   Vote:

2. **New Workload for the California Financial Information Privacy Act (BCP #2):** The Administration requests $1,881,000 in funding and 17.0 positions to address the increased workload related to the provisions within Chapter 241, Statutes of 2003 (SB 1), which restricts financial institutions from sharing non-public information. The Administration requests:
   a) 12.0 Senior Financial Institution Examiners to conduct regular field examinations, investigate complaints
   b) 2.0 Staff Counsel IV's to approve the forms of disclosure and litigate
   c) 1.0 Senior Legal Secretary
   d) 1.0 Staff Services Analyst
   e) 1.0 Associate Information Systems Analyst.

   LAO Recommendation: The LAO withholds recommendation on this proposal citing too many unresolved issues regarding the interaction between Chapter 241 and federal law.

   Staff Comment: An increase of 17 positions represents a 9 percent increase in total staffing. The Senate policy analysis for SB 1 estimated "moderate enforcement costs, probably less that $1 million annually," with the cost of enforcement spread across four departments: Department of Justice, Financial Institutions, Insurance and Corporations. The sub-committee may want to consider augmenting positions to record complaints and minimal staffing for complaint investigation and litigation, but otherwise reject new staffing. Next year there should be a clearer indication of federal restrictions and state workload.

   Staff Recommendation: Keep this issue open and request that the Administration provide sub-committee staff additional information on staffing alternatives.

   <u>Vote:</u>

2180 Department of Corporations

The Department of Corporations (DOC) protects the public and provides businesses with a financial services marketplace that is cost-effective and efficient through administration and enforcement of state laws regulating securities, franchise investment, lenders, and fiduciaries. Activities include licensing, examination, investor, and consumer education, and responding to public inquiries and complaints. Each program enforces its laws through administrative and civil actions.

The DOC budget is proposed to increase from $26.9 million in the current year to $29 million in the budget year. No General Fund support.

Issues

1. **New Workload for the California Financial Information Privacy Act (BCP #2): (Note, this issue overlaps with the prior DFI discussion on the California Financial Information Privacy Act.)** The Administration requests $1,945,000 in funding and 22.0 positions (including one limited-term position) to address the increased workload related to the provisions within Chapter 241, Statutes of 2003 (SB 1), which restricts financial institutions from sharing non-public information. The Administration requests staffing increases in the following areas:
   a) Regulatory Examination Workload: 9.0 positions
   b) Customer Service Calls: 1.0 position
   c) Duty Counsel: 1.0 position
   d) Complaint Review and Investigation: 2.0 positions
   e) Enforcement and Litigation: 8.0 positions
   f) Regulations, Releases, Opinions, Forms Review and Training: 1 limited-term position.

   LAO Recommendation: The LAO withholds recommendation on this proposal citing too many unresolved issues regarding the interaction between Chapter 241 and federal law.

   Staff Comment: An increase of 21 positions represents a 9 percent increase in total staffing. The Senate policy analysis for SB 1 estimated "moderate enforcement costs, probably less that $1 million annually," with the cost of enforcement spread across four departments: Department of Justice, Financial Institutions, Insurance and Corporations. The sub-committee may want to consider augmenting positions to record complaints and minimal staffing for complaint investigation and litigation, but otherwise reject new staffing. Next year there should be a clearer indication of federal restrictions and state workload.

   Staff Recommendation: Keep this issue open and request that the Administration provide subcommittee staff additional information on staffing alternatives.

   Vote:

2240 Department of Housing and Community Development

A primary objective of the Department of Housing and Community Development (HCD) is to expand and preserve safe and affordable housing opportunities and promote strong communities for all Californians. The department administers housing finance, economic development and rehabilitation programs; proposes housing policy; analyzes and implements building codes; and enforces construction standards for manufactured homes.

The HCD budget is proposed to decrease from $772.5 million in the current year to $619.1 million in the budget year. The General Fund support in the current year is $15.7 million and is proposed at $14.2 million in the budget year.

Issues Proposed for Consent

1. **Development of the Community Affairs Program Enterprise System (Information Technology Project, FL #2).** The Administration requests $200,000 to provide funding for the development cost of the Community Affairs Program Enterprise System (CAPES) – of which $72,000 would represent Budget Act appropriations and the balance would be funded from continuous appropriation authority. The CAPES would integrate project and financial data for both state and federal housing programs, improve reporting and efficiency, allow for online applications, and reduce the chance of system failure. It is estimated the total cost to implement the system will be $2.2 million through 2005-06 and that the implementation of the system will result in savings and cost avoidance of $527,935 (5.7 personnel years) in 2006-07, the first full year after implementation.

   Staff Comment: HCD indicates this system will allow for on-line submittals of applications and will provide other efficiencies and improvements.

2. **Transfer the Office of Military Base Retention and Reuse (OMBRR) from HCD to the Office of the Secretary of the Business, Transportation, and Housing (BTH) Agency.**

   Staff Comment: This is a conforming issue to the proposal that was approved for the Business, Transportation, and Housing Agency at the April 14, 2004, hearing.

Staff Recommendation on Consent Issues: Approve the Administration's proposals. No issues have been raised.

Vote:

Issues for Discussion:

1. **Increase Staffing by 4.0 Positions to Administer the Housing and Emergency Shelter Trust Fund Act of 2002 (FL #1).** The administration requests an increase of 4.0 positions to address the increased workload associated with administering the activities supported from the proceeds of the housing bond authorized by the $2.1 billion Housing and Emergency Shelter Trust Fund Act of 2002 (Housing Bond). Additionally, it is requested that 10 existing positions be transitioned from non-bond special fund supported to bond fund supported. The 14 positions would be funded from existing continuous appropriation authority.

Staff Comment: HCD indicates that this augmentation in positions was previously planned as part of their multi-year bond workload plan. Additionally, while this request requests an augmentation of 4 positions as planned, it does not request the restoration of 4 bond positions lost to Control Section 4.10. HCD estimates administrative costs will be only 4 percent of bond proceeds, which is far less than the 15 percent for previous housing bonds.

Staff Recommendation: Approve the Administration's proposal.

Vote:

2. **Enterprise Zone (EZ) Program Augmentation (includes trailer bill language that allows EZs to charge and collect fees to cover administrative costs, FL #3).** The Administration requests increased reimbursement authority of $668,000 and 6.0 positions (5.7 personnel years) to implement the provisions of Chapter 593, Statutes of 2003, which transferred the responsibility for the EZ Program from the Technology Trade and Commerce Agency to HCD. It is proposed that EZs will reimburse the state for the cost of processing program extension requests and other related activities. Associated trailer bill language would allow the local governments administering the EZs to assess and collect a fee, as determined by HCD, for issuance of tax-credit certificates.

   Staff Comment: HCD indicates that enterprise zones provide businesses about $183 million in annual tax credits, and therefore fees totaling about $1 million should not significantly decrease the incentives of the program. In the past, EZ positions were supported with General Fund. HCD indicates they cannot perform the statutorily-mandated administration of EZs (such as audits, reporting, and consideration of EZ modifications) without this staffing.

   Staff Recommendation: Approve the Administration's proposal.

   Vote:

3. **Office of Migrant Services Program Augmentation (Includes Trailer Bill Language, FL #4).** The Administration requests that Health and Safety code Section 53533(4)(A) be amended to authorize the HCD to expend $1,400,000 from the funds provided from the Housing and Emergency Shelter Trust Fund Act of 2002 (Prop. 46 $2.1 billion bond) for the Joe Serna, Jr. Farmworker Housing Grant Fund. This funding would support the repair, rehabilitation, and replacement of equipment at various state-owned migrant centers. Trailer bill language is required because current statute caps at $4.1 million the amount of housing bond funding that can be used for the Office of Migrant Services.

Staff Comment: HCD indicates that these bonds funds would otherwise be used for new farmworker housing; however, applications to date have been below expectations – with only 2 applications requesting a total of $3 million having been received ($25 million is available for this purpose).

Related Informational Issue: HCD indicates they plan to use existing statutory authority to increase farmworker-housing rental rates, effective July 1, 2004. The existing and new rates are as follows:

Daily Rental Rates by Size of Unit			
	2 Bedroom	3 Bedroom	4 Bedroom
Current	$7.50	$8.00	$8.50
New	$9.50	$10.00	$10.50

Last year, the Legislature approved a trailer bill (AB 1756) that prohibited HCD from increasing any rent charged at a migrant farm labor center during the 2003-04 fiscal year.

Staff Recommendation: Approve the Administration's proposal to use $1.4 million in bond funds to make repairs at state-owned migrant centers.

Vote:

4. **Mandate for Regional Housing Plan.** The budget proposes to defer the mandate on regional housing needs assessments. Last year the prior Administration also proposed a deferral and this sub-committee restored mandate funding of $750,000 for councils of governments (COGs) and adopted budget bill language to specify the funding was for COGs (the funding and language was deleted by the Legislature in the final budget bill). As part of its general plan, every city and county is required to prepare a "housing element" which assesses the conditions of its housing stock and outlines a five-year plan for housing development. The housing element must be approved by HCD - the LAO indicates less than 60 percent of local governments currently meet this obligation.

   LAO Recommendation: Eliminate the mandate for regional planning. The LAO indicates the planning mandate costs about four times more than the Legislature expected and may not increase the construction of affordable housing. Repeal of the mandate would save the General Fund about $4 million in annual liabilities. The LAO recommends that if the Legislature wishes to impose certain mandated requirements, the best approach would be to "start from scratch," develop a new process through the normal legislative process.

   Staff Comment: Policy committee staff has indicated that several COGs are unlikely to fulfill the mandate without funding.

Staff Recommendation: Augment mandate funding by $750,000 (total funding of $750,000 for the COGs plus $1,000 for cities and counties) with the following budget bill language stating $750,000 is available only for mandate reimbursements to the COGs:

Schedule:
(1) 98.01.114.380-Regional Housing Needs Assessment for costs of councils of governments (Ch. 1143, Stats. 1980)……………………….750,000
(2) 98.01.114.381-Regional Housing Needs Assessments for costs of cities and counties (Ch. 1143, Stats. 1980)………………………………..1,000

Vote:

5. **School Facilities Fund Balance.** The School Facility Fee Affordable Housing Assistance Program reimburses the purchasers of new homes for some or all of the school facility fees paid on their homes. The funds are in the HCD budget, but the program is administered by the California Housing Finance Agency.
   - Chapter 114, Statutes of 2001, sunset the program at the end of calendar year 2001 and returned the remaining program dollars to the General Fund. However, Chapter 114, authorized any subsequent payments from homebuyers (for instance, if they sold their home before the required five years of residence) to remain with the program. According to the LAO *Analysis of the 2004-05 Budget Bill*, $5.6 million has been returned to the program in this manner.
   - In 2002, Proposition 46 provided $50 million to the program, which the LAO indicates will meet the program's needs throughout the decade.

   LAO Recommendation: Transfer to the General Fund the $5.6 million in non-bond funding and continue the program using only Prop 46 funds.

   Staff Comment: HCD has updated the fund balance and it now stands at $7.322 million.

   Staff Recommendation: Approve the LAO recommendation and transfer the non-bond fund balance to the General Fund (updated to $7.322 million).

   Vote:

6. **Transfer to General Fund from the Child Care Facilities Financing Program.** The Child Care Facilities Financing Program provides both direct loans and loan guarantees for childcare facility purchases, expansions, and renovations. General Fund appropriations have provided the program with its previous funding. According to the LAO, the program has suffered from a complicated administrative structure and low demand and the Legislature returned to the General Fund much of the program's original funding.

LAO Recommendation: Shut down the program and transfer the $1 million program reserve to the General Fund. The LAO indicates the program has 19 existing loans (with a value of $7.7 million) and 2 guarantees (with a value of $730,000). Future revenues from loan repayments would also go to the General Fund under this recommendation.

Staff Comment: HCD indicates the fund balance has fallen since the LAO analysis and $183,000 is need to continue existing loan guarantees, which leaves a remainder of $694,000 in the fund.

Staff Recommendation:
- Approve a transfer of $694,000 to the General Fund, and approve trailer bill language that specifies all future interest on loans and any repayment to the fund be returned to the General Fund.
- To support the 2004-05 cost of administering existing loans and loan guarantees, appropriate $10,000 General Fund.
- Reject the LAO recommendation to eliminate the program – funding to resume program activities may be available in a future budget.

Vote:

7. **Reduce Homeless Shelter Assistance.** The Emergency Housing Assistance Program (EHAP) provides funds for homeless shelter programs through minimum county allocations of $10,000. Funding in 2003-04 is $5.3 million and the Administration proposes $4 million for 2004-05.

LAO Option: Reduce 2004-05 funding to $2 million, which was the historical funding level for the program.

Staff Comment: The Administration indicates the funding reduction for the budget year is a policy, not a caseload, decision. Homeless programs are primarily funded at the local level.

Staff Recommendation: Keep issue open pending May Revision.

Vote:

8. **Forgive $36.8 Million in General Fund Loans and Use Bond Funds to Fund the Multifamily Housing Program.** In 2002-03 and 2003-04, $59 million in multifamily housing funds was loaned to the General Fund. In past years, the state awarded several hundreds of millions of dollars from the General Fund for multifamily housing projects. These dollars are not disbursed until the construction of a project is

completed, and that is why a large fund balance was available for loan to the General Fund.

LAO Option: Forgive $36.8 million of the loan to the General Fund (the estimated outstanding loan on July 1, 2004) and pay the multifamily housing costs with Proposition 46 bond funds. These general obligation bond funds would otherwise support multifamily housing projects specified by Prop. 46. This action would not affect scheduled bond allocations until at least 2007-08.

Staff Comment: This proposal would require a change in statute, which Prop. 46 allows "for the purpose of improving the efficiency and effectiveness of the program, or for the purpose of furthering the goals of the program." The LAO indicates a case could be made for a change in statute under the above provision of Prop 46.

Staff Recommendation: Keep issue open pending May Revision.

Vote:

2320 Department of Real Estate

The Department of Real Estate (DRE) (1) protects the public in offerings of subdivided property; (2) ensures that licensed individuals conducting real estate transactions are qualified; (3) prevents fraud, deceit and misrepresentation in the real estate marketplace by assisting the public through the investigation of complaints; and (4) educates the public and professional communities regarding the laws and regulations governing the handling of real estate transactions.

The department's budget is proposed to decrease from $31.6 million in the current year to $31.2 million in the budget year. No General Fund support.

Issue

1. **Workload Augmentation (FL #1).** The Administration requests $775,000 (special fund) and 13.0 positions (12.4 personnel years) to address department-wide workload issues. The Administration indicates that DRE staffing is at a 20-year low, while the number of licensees has increased over the past decade. This request would provide resources to reduce the existing backlogs and lessen the time required to issue a license.

   Staff Comment: This request would increase positions by 13, while 17 positions were eliminated as part of the 4.10 reduction drill. DRE is supported by industry fees and receives no General Fund.

Staff Recommendation: Approve the Administration's proposal.

Vote:

8885 Commission on State Mandates

The Commission on State Mandates (CSM) acts as a quasi-judicial body to assume authority for the initial determination of state mandated costs. CSM consists of the Director of Finance, the Controller, the Treasurer, the Director of the Office of Planning and Research, a public member with experience in public finance, and two additional members from the categories of city council member, county supervisor, or school district board member. The appropriations included in this budget are for administrative costs only; the reimbursement of mandates is distributed through the budgets of various state departments depending on subject matter. The total cost of reimbursing mandates is $7.6 million in 2002-03, $75,000 in 2003-04 (estimated), and $74,000 in 2004-05 (budgeted). Of the 130 mandates effective today, the Governor's Budget proposes that 82 be deferred, 29 repealed, and 19 be suspended.

DEPARTMENT BUDGET

	2002-03	2003-04	CHANGE FROM 2002-03		2004-05	CHANGE FROM 2003-04	
Total Budget	$1,462	$1,258	-$204	-16.2%	$1,189	-$69	-5.8%
Personnel Years*	12.4	10.2	-2.2	-21.6%	9.7	-0.5	-5.2%

(Dollars in 000s)
*Positions adjusted for salary savings and other adjustments

ISSUE PROPOSED FOR CONSENT

The following Finance Letter has been provided by the Administration.

FINANCE LETTER	Positions	Cost ($s in 000s)
Abolish the State Mandates Claim Fund and Transfer Funds Remaining in the State Mandates Claim Fund to General Fund. The fund has not been utilized in recent years and is no longer practicable because nearly all state-mandated programs exceed $1 million.	0	-$461

Trailer Bill. The following changes to statute must be made in order to abolish the State Mandates Claim Fund.

AMENDMENT 1.

REPEAL GOVERNMENT CODE SECTION 17517:

~~17517. "Fund" means the State Mandates Claims Fund.~~

AMENDMENT 2.

REPEAL GOVERNMENT CODE SECTION 17579:

~~17579. (a) Any bill introduced or amended on and after January 1, 1985, for which the Legislative Counsel has determined the bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, shall contain a section specifying that reimbursement shall be made from the fund pursuant to Section 17610 when the amount of the claim has been determined pursuant to Article 1 (commencing with Section 17550) of this chapter or that there is no mandate or that the mandate is being disclaimed and the reason therefor.~~
~~(b) Any bill introduced or amended on and after January 1, 1985, may, but is not required to, contain an appropriation to provide reimbursement of costs mandated by the state.~~

AMENDMENT 3.

REPEAL GOVERNMENT CODE SECTION 17610.

~~17610. (a) The costs arising from a statute containing a statement that the statute mandates a new program or higher level of service and specifying that reimbursement shall be made from the fund shall, upon certification of the estimated statewide cost by the commission to the Controller, be paid from the fund, provided that the estimated statewide cost of the claim does not exceed one million dollars ($1,000,000). The Controller shall receive, review, and pay reimbursement claims from the fund as the claims are received. Claims for initial reimbursement shall be filed with the Controller within 120 days from the date that the Controller issued claiming instructions on mandates funded by the fund. When paying a timely filed claim for initial reimbursement, the Controller shall withhold 20 percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated cost. Any claim for initial reimbursement filed after the filing deadline shall be reduced by 10 percent of the amount which would have been allowed had the claim been timely filed, provided that the amount of this reduction shall not exceed one thousand dollars ($1,000). The Controller may withhold payment of any initial reimbursement claim filed after the filing deadline until the next deadline for funding claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid.~~
~~(b) For purposes of this section, "estimated statewide cost" means the total amount of funds estimated to be necessary to reimburse all eligible local agencies and school districts for costs incurred as a result of the mandate during the first 12-month period following the operative date of the mandate.~~

~~(c) For purposes of this section, "costs arising from a statute" means the total amount of funds necessary to reimburse eligible local agencies and school districts for costs incurred as a result of complying with a mandate for the fiscal years specified in the parameters and guidelines in accordance with Section 17557.~~

AMENDMENT 4.

AMEND GOVERNMENT CODE SECTION 17612 TO READ:

17612. (a) Immediately upon receipt of the report submitted by the commission pursuant to Section 17600, a local government claims bill shall be introduced in the Legislature. The local government claims bill, at the time of its introduction, shall provide for an appropriation sufficient to pay the estimated costs of these mandates ~~except where the costs have been or will be paid pursuant to Section 17610.~~
(b) The Legislature may amend, modify, or supplement the parameters and guidelines for mandates contained in the local government claims bill. If the Legislature amends, modifies, or supplements the parameters and guidelines, it shall make a declaration in the local government claims bill specifying the basis for the amendment, modification, or supplement.
(c) If the Legislature deletes from a local government claims bill funding for a mandate, the local agency or school district may file in the Superior Court of the County of Sacramento an action in declaratory relief to declare the mandate unenforceable and enjoin its enforcement.

AMENDMENT 5.

REPEAL GOVERNMENT CODE SECTION 17614:

~~17614. There is hereby created the State Mandates Claims Fund.~~
~~Notwithstanding Section 13340 money in the fund is continuously appropriated without regard to fiscal years for the sole purpose of paying claims pursuant to Section 17610~~.

Staff Recommendation. Approve the Finance Letter to transfer the balance of the State Mandates Claims fund to the General Fund and repeal the above statutes.

VOTE:

INFORMATION ITEM ONLY

LAO ISSUE: Mandates; Mounting Liabilities and Need to Reform

The LAO estimates that the state's mandates obligations through the current year will reach $2.1 billion, about one-half of which is for education mandates. In the budget year the mandates payment backlog will rise by another $600 million to exceed $2.7 billion. How the state addresses this worrisome trend is a profound fiscal and policy problem.

In their evaluation of the mandates issue, the LAO identified six problematic mandates issues (*The 2004-05 Budget: Perspectives and Issues*, page 206).

1. Lack of timely reimbursement payments to locals undermines the credibility of the mandate requirements.

2. There is little confidence in the mandate determination process.

3. The claiming system invites problems.

4. The Legislature needs better information.

5. Delays decrease Legislative oversight.

6. Mandate determinations get stuck in the past.

In order to address these problems, the LAO proposes seven key elements to mandate reform (*The 2004-05 Budget: Perspectives and Issues*, page 211).

1. The Legislature should have access to mandate costs and other information *during* the legislative process. State agencies also should have assistance during the development of regulations.

2. The body charged with making mandate determinations should be reconstituted so that all parties view it as objective.

3. State agencies should actively participate in the mandate determination process, ensuring that state views and interests are documented and presented.

4. Local governments should have some recourse to reduce their fiscal liabilities if the state does not fund a mandate.

5. The mandate determination process should be timely, with the Legislature learning of new mandates and their costs before or shortly after the mandate is established.

6. The mandate claiming process should be simple, credible, timely, and easy to audit. Whenever possible, claims should reflect unit cost methodologies rather than open-ended claiming.

7. Mandate determination and claiming procedures should be updated as needed to reflect modern conditions, laws, and court rulings.